

SERFF Tracking Number: NCCI-125672445 State: Arkansas
Filing Company: NCCI State Tracking Number: EFT \$100
Company Tracking Number: RM-W-8032
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
Product Name: RM-W-8032 Establishment of the National Workers Compensation Reinsurance Association NFP (NWCRA or Assocaiton) and the
National Workers Compensation Reinsurance Association NFP Bylaws of 2009
Project Name/Number: /

Filing at a Glance

Company: NCCI

Product Name: RM-W-8032— Establishment of SERFF Tr Num: NCCI-125672445 State: Arkansas

the National Workers Compensation
Reinsurance Association NFP (NWCRA or
Assocaiton) and the National Workers
Compensation Reinsurance Association NFP
Bylaws of 2009

TOI: 16.0 Workers Compensation

Sub-TOI: 16.0004 Standard WC

SERFF Status: Closed

Co Tr Num: RM-W-8032

State Tr Num: EFT \$100

State Status: Fees verified and
received

Filing Type: Rule

Co Status:

Reviewer(s): Betty Montesi, Carol
Stiffler

Authors: Lesley O'Brien, Alison
Herwig, Frank Gnolfo, Terri
Robinson

Disposition Date: 11/18/2008

Date Submitted: 06/03/2008

Disposition Status: Approved

Effective Date Requested (New): 01/01/2009

Effective Date (New): 01/01/2010

Effective Date Requested (Renewal): 01/01/2009

Effective Date (Renewal):

State Filing Description:

General Information

Project Name:

Status of Filing in Domicile:

Project Number:

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 11/18/2008

State Status Changed: 06/04/2008

Deemer Date:

Corresponding Filing Tracking Number:

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Filing Description:

The insurance companies participating in the National Workers Compensation Reinsurance Pool (NWCRP or Pool) have voted to incorporate the administration of the servicing carrier reinsurance agreements by establishing the National Workers Compensation Reinsurance Association (NWCRA or Association), a not-for-profit corporation. The NWCRA was incorporated on January 14, 2008. This item impacts NCCI's Basic Manual for Workers Compensation and Employers Liability Insurance Rule4—Workers Compensation Insurance Plan Rules

Company and Contact

Filing Contact Information

Terri Robinson, State Relations Executive terri_robinson@ncci.com
 46714 Highway 10 (501) 753-5180 [Phone]
 Perryville, AR 72126 (561) 893-5655[FAX]

Filing Company Information

NCCI CoCode: State of Domicile: Florida
 901 Peninsula Corporate Circle Group Code: Company Type:
 Boca Raton, FL 33487 Group Name: State ID Number:
 (561) 893-3186 ext. [Phone] FEIN Number: 65-0439698

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: 1 Rule filing
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
NCCI	\$100.00	06/03/2008	20635255

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	11/18/2008	11/18/2008
Approved	Carol Stiffler	06/04/2008	06/04/2008

Amendments

Item	Schedule	Created By	Created On	Date Submitted
AR Eff Date Suspension	Supporting Document	Frank Gnolfo	11/18/2008	11/18/2008

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Disposition

Disposition Date: 11/18/2008

Effective Date (New): 01/01/2010

Effective Date (Renewal):

Status: Approved

Comment: This will acknowledge that you have requested to suspend the effective date of this filing until an unknown future date. SERFF requires that I put an effective date in it to close the filing. I will put in 1/1/2010 as shown in the letter as being the earliest date possible. If you can't make that date, then all we will need then is another request to suspend.

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Filing Memorandum	Approved	Yes
Supporting Document	AR Eff Date Suspension		Yes
Rate	Exhibit 1	Approved	Yes
Rate	Exhibit 2	Approved	Yes
Rate	Exhibit 3	Approved	Yes
Rate	Exhibit 4	Approved	Yes
Rate	Exhibit 5	Approved	Yes
Rate	Exhibit 6	Approved	Yes
Rate	Exhibit 7	Approved	Yes
Rate	Exhibit 8	Approved	Yes
Rate	Exhibit 9	Approved	Yes
Rate	Exhibit 10	Approved	Yes
Rate	Exhibit 11	Approved	Yes
Rate	Exhibit 12	Approved	Yes
Rate	Exhibit 13	Approved	Yes
Rate	Exhibit 14	Approved	Yes
Rate	Exhibit 15	Approved	Yes
Rate	Exhibit 16	Approved	Yes
Rate	Exhibit 17	Approved	Yes
Rate	Exhibit 18	Approved	Yes
Rate	Exhibit 19	Approved	Yes
Rate	Exhibit 20	Approved	Yes
Rate	Exhibit 21	Approved	Yes
Rate	Exhibit 22	Approved	Yes
Rate	Exhibits 23-28	Approved	Yes

SERFF Tracking Number: *NCCI-125672445* *State:* *Arkansas*
Filing Company: *NCCI* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *RM-W-8032*
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Project Name/Number: */*

Disposition

Disposition Date: 06/04/2008
Effective Date (New): 01/01/2008
Effective Date (Renewal):
Status: Approved
Comment:

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Filing Memorandum	Approved	Yes
Supporting Document	AR Eff Date Suspension		Yes
Rate	Exhibit 1	Approved	Yes
Rate	Exhibit 2	Approved	Yes
Rate	Exhibit 3	Approved	Yes
Rate	Exhibit 4	Approved	Yes
Rate	Exhibit 5	Approved	Yes
Rate	Exhibit 6	Approved	Yes
Rate	Exhibit 7	Approved	Yes
Rate	Exhibit 8	Approved	Yes
Rate	Exhibit 9	Approved	Yes
Rate	Exhibit 10	Approved	Yes
Rate	Exhibit 11	Approved	Yes
Rate	Exhibit 12	Approved	Yes
Rate	Exhibit 13	Approved	Yes
Rate	Exhibit 14	Approved	Yes
Rate	Exhibit 15	Approved	Yes
Rate	Exhibit 16	Approved	Yes
Rate	Exhibit 17	Approved	Yes
Rate	Exhibit 18	Approved	Yes
Rate	Exhibit 19	Approved	Yes
Rate	Exhibit 20	Approved	Yes
Rate	Exhibit 21	Approved	Yes
Rate	Exhibit 22	Approved	Yes
Rate	Exhibits 23-28	Approved	Yes

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Amendment Letter

Amendment Date:

Submitted Date: 11/18/2008

Comments:

Attaching PDF in the Supporting Doc tab

Changed Items:

Supporting Document Schedule Item Changes:

User Added -Name: AR Eff Date Suspension

Comment:

AR Eff Date Suspension.pdf

<i>SERFF Tracking Number:</i>	<i>NCCI-125672445</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>NCCI</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>RM-W-8032</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
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<i>Project Name/Number:</i>	<i>/</i>		

Rate Information

Rate data does NOT apply to filing.

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Project Name/Number: /

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Approved	Exhibit 1	Rule 4-2d	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 1.pdf
Approved	Exhibit 2	Rule 4-2e	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 2.pdf
Approved	Exhibit 3	Rule 4-2f	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 3.pdf
Approved	Exhibit 4	Rule 4-2m	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 4.pdf
Approved	Exhibit 5	WCIP Definitions-2z	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 5.pdf
Approved	Exhibit 6	WCIP Definitions-2aa	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 6.pdf
Approved	Exhibit 7	Participation-5a	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 7.pdf

Approved	Exhibit 8	Participation-5d	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 8.pdf
Approved	Exhibit 9	Rule 4-6b	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 9.pdf
Approved	Exhibit 10	Rule 4-7a	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 10.pdf
Approved	Exhibit 11	Rule4-7b	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 11.pdf
Approved	Exhibit 12	Rule4-7d	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 12.pdf
Approved	Exhibit 13	Rule 4-7e	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 13.pdf
Approved	Exhibit 14	Rule 4-8a	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 14.pdf
Approved	Exhibit 15	Rule 4-8b	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 15.pdf

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Approved	Exhibit 16	Rule 4-9b	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 16.pdf
Approved	Exhibit 17	Rule 4-10c	Replacement	RM-W-8026	Countrywide Only - RM-W-8032 Exhibit 17.pdf
Approved	Exhibit 18	Rule 4-1a	Replacement	RM-W-8027	Countrywide Only - RM-W-8032 Exhibit 18.pdf
Approved	Exhibit 19	Rule 4-2b	Replacement	RM-W-8028	Countrywide Only - RM-W-8032 Exhibit 19.pdf
Approved	Exhibit 20	Rule 4-2f	Replacement	RM-W-8029	Countrywide Only - RM-W-8032 Exhibit 20.pdf
Approved	Exhibit 21	Rule 4-3a	Replacement	RM-W-8029	Countrywide Only - RM-W-8032 Exhibit 21.pdf
Approved	Exhibit 22	Association ByLaws	New		Association Bylaws Ex22.pdf
Approved	Exhibits 23-28	AR-State Rule Exceptions	Replacement	RM-W-8026	AR Only - RM-W-8032 Establishment of the NWCRA and Assoc Bylaws.pdf

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

EXHIBIT 1

BASIC MANUAL—2001 EDITION

RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES

A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

2. WCIP Definitions

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

d. ~~Articles of Agreement or Articles~~ Association Bylaws

~~The National Workers Compensation Reinsurance Pool (NWCPRP) is the reinsurance mechanism. The Bylaws of the National Workers Compensation Reinsurance Association NFP (NWCRA), whose member insurers participate in the Reinsurance Agreement(s) authorized under this Plan to provide reinsurance to the servicing carriers on employers assigned to them under this Plan. The Articles of Agreement Bylaws is are the agreement subscribed to by insurers selecting Option 2—Pool Participation Subscription to Association Bylaws as their means of satisfying their participation in the Plan. The Bylaws are attached hereto and by this reference are incorporated into and made a part of this Plan.~~

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

**EXHIBIT 2
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

2. WCIP Definitions

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

e. Assigned Carrier

An insurer assigned to provide coverage to an employer who has applied for and is good faith eligible for workers compensation insurance under the Plan. An assigned carrier can either be defined as one of the following:

- **Servicing Carrier**—An insurer authorized by the regulatory authority to receive Plan assignments and provide coverage to eligible employers on behalf of those participating companies subscribing to the ~~Articles of Agreement~~ Association Bylaws incorporated as part of this Plan, or
- **Direct Assignment Carrier**—An insurer that has elected and has been authorized by the regulatory authority to receive assignments under Option 1 of Rule 4-A-5 of this Plan, directly from the Plan Administrator without reinsurance through the ~~NWCRP Reinsurance Agreement(s)~~. Insurers selecting the direct assignment option will be solely responsible for the financial results of the assignments they receive.

Assigned carrier references throughout the Plan mean direct assignment carriers and servicing carriers. If a carrier is specifically referenced as either direct assignment carrier or servicing carrier, the language is exclusive of that carrier's status.

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

**EXHIBIT 3
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

2. WCIP Definitions

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

f. Assigned Carrier Performance Standards

The minimum level of performance for assigned carriers writing coverage on behalf of the WCIP. The purpose of these standards is to provide policy issuance and service level requirements that assigned carriers must adhere to in order to provide residual market policyholders with uniform service while reducing the overall loss ratio for the Pool Reinsurance Mechanism. ~~The Carrier Performance Standards are located in the Assigned Risk Supplement to the Basic Manual for Workers Compensation and Employers Liability Insurance.~~

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

**EXHIBIT 4
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

2. WCIP Definitions

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

m. ~~National Workers Compensation Reinsurance Pool or National Pool~~ National Workers Compensation Reinsurance Association NFP (NWCRA or Association)

~~A contractual arrangement among participating insurers that serves as a reinsurance facility for workers compensation insurance in a number of states and that is administered by the National Council on Compensation Insurance, Inc.~~ A not-for-profit corporation whose members provide for contractual quota share reinsurance through Reinsurance Agreement(s) among themselves as workers compensation insurers, which affords such insurers an option for complying with state workers compensation insurance plan requirements by sharing in the experience arising of certain policies written pursuant to such insurance plans.

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

EXHIBIT 5

BASIC MANUAL—2001 EDITION

WORKERS COMPENSATION INSURANCE PLAN RULES

A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

2. WCIP Definitions

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

z. Board of Directors

The Board of Directors for the National Workers Compensation Reinsurance Association NFP.

**ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION
REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL
WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009**

EXHIBIT 6

BASIC MANUAL—2001 EDITION

RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES

A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

2. WCIP Definitions

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

aa. Reinsurance Agreement

A contractual arrangement among Association members providing a quota share reinsurance facility for workers compensation insurance in a number of states and for which administrative services are provided by the National Council on Compensation Insurance, Inc. in its capacity as Administrator as designated under the Association Bylaws.

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

EXHIBIT 7
BASIC MANUAL—2001 EDITION
WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

5. Participation

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

a. Options

All insurers licensed to write and/or are actively writing workers compensation insurance in this state are required to participate in this Plan. An insurer may change its participation option once per year and must do so no later than one hundred twenty (120) calendar days before the end of the calendar year. All affiliated insurers must select the same option if allowed by the regulatory authority in the state. An insurer must satisfy its participation requirement by selecting one of the following options:

- Option 1 Provides for becoming a direct assignment carrier, subject to the approval of the regulatory authority and receiving assigned risk assignments directly from the Plan Administrator. Any policy issued under this option will not be eligible for reinsurance under the ~~Articles of Agreement~~ through the Reinsurance Agreement(s) among members of the Association.
- Option 2 Provides for subscribing to the ~~Articles of Agreement~~ Association Bylaws, which are attached hereto and by this reference are incorporated into and made a part of this Plan.

If Option 1 is selected, one insurer may be designated to accept direct assignments on behalf of all affiliated insurers. Any insurer wishing to select Option 1 must receive prior approval from the regulatory authority. Application for such approval must be made no later than one hundred twenty (120) calendar days prior to the end of any calendar year. The regulator must review the application and approve or disapprove it within sixty (60) days of receipt of the request. If the application is approved, that insurer will become a direct assignment carrier on January 1 of the year following the regulatory authority's approval.

An insurer that fails to submit an application to the regulatory authority for approval as a direct assignment carrier at least one hundred twenty (120) days prior to the end of any calendar year will automatically be deemed to have selected Option 2 for the following year. If the regulatory authority fails to act on a letter of application or disapproves the letter of application for direct assignment carrier status, such insurer will automatically be deemed to have selected Option 2. During the period of time an application is pending or an appeal is pending before the regulatory authority with regard to a disapproved letter of application for direct assignment carrier status, an insurer will automatically be deemed to have selected Option 2 for the period during which approval has not been granted. If previously a subscriber to the ~~Articles of Agreement~~ Association Bylaws, an insurer seeking to become a direct assignment carrier must also comply with the withdrawal provision in the ~~Articles of Agreement~~ Association Bylaws.

An insurer applying to be licensed in this state to write workers compensation insurance after this Plan has been approved must make its participation election at the time it submits its application for a license. An insurer that desires to become a direct assignment carrier must submit its application to become a direct assignment carrier at the time it submits its application for a license. The regulatory authority must approve or disapprove the application at the same time the license is issued. The regulatory authority or its designee shall have responsibility for determining and monitoring financial strength and enforcing levels of service or performance of a direct assignment carrier, except that when authorized by the regulatory authority, the Plan Administrator will have responsibility for monitoring and enforcing levels of service or performance of direct assignment carriers. As required by the regulatory authority, direct assignment carriers are required to meet the minimum performance standards applicable to assigned carriers under this Plan.

If a licensed workers compensation insurer has not made an election and the Plan Administrator is informed by the regulatory authority or any other sources that the insurer is a licensed workers

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

EXHIBIT 7 (CONT'D)
BASIC MANUAL—2001 EDITION
WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

5. Participation

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

compensation insurer, and upon verification, that insurer will be deemed to have selected Option 2 until the next Plan membership election, at which time the insurer may then make its own participation selection. However, if a newly identified insurer completes the application and approval process and provides all required documentation to the Plan Administrator prior to June 30, it may elect to be a direct assignment carrier for the remainder of that calendar year. If the process is not completed by June 30, the insurer will be deemed to have selected Option 2 until the next Plan membership election. An insurer will automatically be deemed to have selected Option 2 for the following calendar year when the insurer has an opportunity to make a new participation selection and fails to act upon the opportunity, such as during the annual election process.

Whenever participation under the ~~Articles of Agreement~~ Association Bylaws consists of those insurers cumulatively writing less than forty (40) percent of the total net workers compensation insurance premiums written by all insurers in this state as calculated in accordance with the preceding calendar year figures or whenever the Plan Administrator determines the capacity of servicing carriers to handle assignments made pursuant to the Rule 4-A-3 falls below a level that is adequate to handle all assignments being made, or whenever the ~~reinsurance mechanism~~ Reinsurance Agreement(s) provided pursuant to the ~~Articles of Agreement~~ Association Bylaws is terminated, those insurers that selected Option 2 will, as of January 1 of the following year, automatically be deemed to have selected Option 1 for employers insured effective on or after said January 1. Under this provision all licensed insurers will automatically be deemed approved as direct assignment carriers and will not need to seek regulatory approval.

**ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION
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WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009**

**EXHIBIT 8
BASIC MANUAL—2001 EDITION
WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

5. Participation

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

d. Basis of Participation

All insurers that elect to participate in the Plan through the ~~reinsurance mechanism~~ Reinsurance Agreement(s) provided for in the ~~Articles of Agreement~~ Association Bylaws will share in the writings, expenses, servicing allowance, and losses in the proportion that the total net premiums of all members participating in the Plan in this state during the preceding calendar years bear to the aggregate direct premiums written in this state during the preceding calendar years by all insurers participating through the ~~reinsurance mechanism~~ Reinsurance Agreement(s) except that such computations will exclude that portion of the premiums attributable to the operation of the Plan. Each insurer's participation in the Plan will be determined on the basis of such direct premiums as reported in the most recent annual and other reports filed with the regulatory authority.

All insurers that have elected to become direct assignments carriers will retain all profit, losses, and expenses on business assigned to them. Assignments will be made to and among assigned carriers pursuant to procedures developed by the Plan Administrator and will provide for the equitable distribution of employers.

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

EXHIBIT 9
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

6. Plan Administrator

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

b. Duties and Responsibilities

In recognition of the interests of the participating companies who have subscribed to the ~~Articles of Agreement~~ Association Bylaws, the Plan Administrator will carry out its duties and responsibilities with respect to the establishment of servicing carrier eligibility requirements and assigned carrier performance standards subject to the review and acceptance of the Board of ~~Governors~~ Directors.

The Plan Administrator will have the following duties and responsibilities in addition to any others set forth in this Plan and the ~~Articles of Agreement~~ Association Bylaws:

- (1) Administering, managing, and enforcing the Plan subject to the provisions contained herein.
- (2) Establishing eligibility criteria for servicing carriers and selecting servicing carriers by an objective selection or solicitation process or otherwise, subject to regulatory approval or review where applicable
- (3) Determining the methodology and formula for making assignments to assigned carriers pursuant to Rule 4-A-9 and securing the necessary information in order to make the assignments
- (4) Developing and implementing assigned risk procedures and forms to the extent necessary to carry out the purpose of this Plan
- (5) Processing assigned risk applications pursuant to Rule 4-A-3
- (6) Establishing written performance requirements for assigned carriers, including, but not limited to:
 - Verification of ongoing Plan eligibility of the employer
 - Issuance of policies and endorsements
 - Filings with administrative agencies
 - Maintenance of premiums on policies consistent with manual rules, rates, rating plans, and classifications
 - Completion and billing of final audits
 - Collection of premium
 - Claim services, including investigation, disability management, and medical cost control
 - Loss prevention services and safety information to encourage employers to make safety a part of their business
 - Payment of producer fees
 - Issuance of renewal proposals and nonrenewal notices
 - Assurance of insured and insurer compliance with all terms and conditions of the policy contract
 - Resolution of complaints and response to insured/producer inquiries
 - Reporting financial and statistical data
- (7) Monitoring assigned carrier performance (as required) and enforcing performance requirements and incentives
- (8) Administering the dispute resolution procedure as provided in Rule 4-A-10
- (9) Informing the regulatory authority of any insurer not participating in this Plan
- (10) Monitoring the performance and operation of the Plan and initiating amendments thereto as appropriate

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**EXHIBIT 9 (CONT'D)
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

6. Plan Administrator

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

- (11) Reporting to the Board of Directors on a regular basis relative to the ongoing operation of the Plan.
- (12) Determining the expenses for the operation of the Plan (including, without limitation, the Plan Administrator's fees or legal expenses associated with Plan matters), and will charge a fee to each insurer participating in the Plan for those expenses on an equitable basis as determined by the Plan Administrator subject to the approval of the regulatory authority, if required. The Plan Administrator will provide, upon written request of the Board of ~~Governors~~ Directors, the regulatory authority, or any direct assignment carrier, the amount of fees and any additional charges billed by the Plan Administrator in such detail as the parties may agree.

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**EXHIBIT 10
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

7. Servicing Carriers

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

a. Eligibility to Act as a Servicing Carrier

With respect to the servicing carriers selected, the following will apply:

The Plan Administrator will establish written requirements that insurers must meet in order to be eligible to act as a servicing carrier. The Plan Administrator will make available such written requirements to the Board of ~~Governors~~ Directors for review and acceptance. An insurer that has been approved as a direct assignment carrier pursuant to Option 1 under Rule 4-A-5 is not eligible to be selected as a servicing carrier under this Plan while they continue to act as a direct assignment carrier. From among those insurers that are eligible and have applied to act as a servicing carrier, and subject to regulatory approval or review where applicable, the Plan Administrator will ensure that there are a sufficient number of servicing carriers to handle the assignments made pursuant to this Plan. The Plan Administrator may confer with the Board of ~~Governors~~ Directors in regard to the number of servicing carriers needed to handle the assignments made pursuant to this Plan. The Plan Administrator may terminate the servicing carrier status of any insurer that fails to meet the servicing carrier requirements on a continuing basis.

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**EXHIBIT 11
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

7. Servicing Carriers

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

b. Servicing Carrier Minimum Eligibility Requirements

In order to serve as a servicing carrier, the insurer must meet all of the following eligibility criteria:

- Be licensed to write workers compensation and employers liability insurance in the state
- Be writing or be an affiliated insurer of a carrier that is currently licensed and actively writing voluntary Workers Compensation and Employers Liability Insurance premium in the state and has been licensed and writing in such state for each of the most recent five (5) calendar years immediately preceding the first effective year of the proposed contract; or be licensed and actively writing Workers Compensation and Employers Liability insurance in the state for a minimum of the most recent three (3) calendar years immediately preceding the first effective year of the proposed contract and active as a workers compensation servicing carrier in any other NWCRP or NWCRA, as applicable, reinsurance state for a minimum of five (5) calendar years immediately preceding the first effective year of the proposed contract
- Be assigned and maintain at a minimum an “A-” rating as published by A.M. Best
- Maintain the necessary staff and facilities to comply with the procedures, performance standards, financial reporting requirements, and Plan requirements
- Comply with all applicable statutory and/or regulatory requirements, including but not limited to, statutes, regulations, codes, rules, acts, directives, bulletins, announcements, and/or circulars
- Must be either precertified in writing by the Plan Administrator or have achieved and maintained and not be subject to a revocation of precertification or certification status as determined by the Plan Administrator under the applicable precertification and/or certification program established by the Plan Administrator
- Comply with all mandatory electronic processing and reporting requirements of NCCI that are currently in effect and that may be amended from time to time
- Comply with all federal and state laws and regulations, which relate to the policies applicable to the Servicing Carrier
- For purposes of Rule 4–A–7–b, the National Workers Compensation Reinsurance Pool (NWCRP) shall mean a contractual reinsurance mechanism among participating workers compensation insurers, which affords such insurers in certain states an option for complying with state insurance plan requirements by sharing in the experience arising out of certain policies written pursuant to such insurance plans

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**EXHIBIT 12
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

7. Servicing Carriers

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

d. Standards for Servicing Carrier Performance, Compensation, and Incentives

The Plan Administrator, subject to regulatory authority approval if required, must establish written procedures for measuring servicing carrier performance. In recognition of the interests of the participating companies who have subscribed to the ~~Articles of Agreement~~ Association Bylaws, the Plan Administrator must provide a copy of such written performance standards to the Board of ~~Governors~~ Directors for review and acceptance. Servicing carriers must manage losses in compliance with the performance standards established hereunder. The Plan Administrator, with the approval of the regulatory authority, must also establish the compensation for servicing carriers in accordance with the selection or solicitation process, which will take into consideration, among other things, provisions for:

- (1) Rewarding servicing carriers for positive action targeted at reducing losses and costs
- (2) Disincentives for inefficiencies and service below the minimum assigned carrier performance standards
- (3) Servicing carrier capacity

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**EXHIBIT 13
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

7. Servicing Carriers

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

e. Monitoring and Enforcement

The Plan Administrator will monitor and review servicing carrier performance by:

- (1) Reviewing the operations reports
- (2) Requiring and reviewing self-audits
- (3) Conducting on-site audits
- (4) Reviewing any other information available that relates to the servicing carrier

The Plan Administrator will require servicing carriers to maintain desired performance levels and will take appropriate remedial action where necessary including, but not limited to, establishment and administration of a progressive discipline program, which may lead to terminating an insurer's servicing carrier status. Any formal action taken by the Plan Administrator under this provision will be the exclusive remedy and in lieu of any other penalty or sanction that may apply under this Plan. Any action taken by the Plan Administrator under this provision is subject to review under the Rule 4-A-10. In order to fulfill its responsibilities under this Plan, the Plan Administrator will have the right, itself or through authorized representatives, at all reasonable times during regular business hours, to audit and inspect the books and records of any servicing carrier with respect to any policies, claims, or related documents coming within the purview of this Plan, the ~~Articles, Association Bylaws, or the reinsurance mechanism~~ **Reinsurance Agreement(s)**. Upon request, the Plan Administrator will make available to the regulatory authority and the Board of ~~Governors~~ **Directors** a formal written report on the Plan Administrator's monitoring and enforcement activities related to servicing carriers.

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EXHIBIT 14
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RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

8. Interstate Assignment

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

a. Additional States Requested During the Policy Period

Any eligible employer assigned under this Plan and desiring workers compensation insurance for operations for physical locations in states other than those covered by this Plan may request its assigned carrier to furnish insurance in the additional states under Part 3.A.

In instances in which the assigned carrier is licensed in those additional states and will write workers compensation insurance on a voluntary basis, it must do so in accordance with the law, rates, rules, classifications, and regulations applicable to the voluntary workers compensation market in those states.

If the assigned carrier does not wish to provide the insurance on a voluntary basis, they may provide assigned risk coverage in such additional states subject to the following:

- (1) Workers compensation insurance may only be provided in accordance with Rule 4-A-3 in those states that have a Workers Compensation Insurance Plan that is similar to this Plan and that allows employers applying for coverage under those Plans to obtain coverage for operations in this state.
- (2) Assigned carriers providing workers compensation insurance must collect all premiums based on the exposures for those other state(s) physical operations.

The effective date of such insurance in the additional states must be the day after premium is received; however, in the event coverage in the additional states is on an "if any" basis, the effective date of the coverage will be the day following receipt of an acceptable request for the insurance by the assigned carrier. A copy of the Policy Information Page and all endorsements, properly identified as a WCIP or AR (Assigned Risk) policy, must be submitted to the appropriate Plan Administrator having jurisdiction in states where the coverage is effected.

- (3) The rates, rating plans, classifications, and policy forms used to provide coverage in such additional states are:
 - Those that are applicable to the residual market
 - On file and have been approved by the regulatory authority in those additional states
 - Authorized for use in the residual market by the Plan Administrator
- (4) In order to combine multiple states on a single policy, the following conditions apply:
 - If the assigned carrier is a servicing carrier, it must also be a signatory to an agreement providing reinsurance for workers compensation insurance policies issued to residual market employers under the ~~Articles of Agreement~~ Association Bylaws in each state where the coverage must be provided.
 - If the assigned carrier is a direct assignment carrier pursuant to Option 1 under Rule 4-A-5, in order to combine multiple states on a single policy, it must also be authorized to act as a direct assignment carrier or servicing carrier in each state where the coverage must be provided.
 - Separate policies must be issued for states in which the insurer is a direct assignment carrier and for states in which the insurer is a servicing carrier.

If the assigned carrier is unwilling or unable to add additional states to the employer's policy, it will instruct the employer to contact the Plan Administrator or appropriate administrative organization handling the states where coverage is needed for instructions and applications.

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**EXHIBIT 15
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

8. Interstate Assignment

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

b. Multistate Policy Procedure at Time of Application

Employers who make application for workers compensation insurance under another state's Workers Compensation Insurance Plan may purchase coverage for physical operations in this state without meeting the application requirements of this Plan, provided:

- The employer qualifies for such insurance under the other state's Plan
- The employer is in good faith entitled to insurance under this Plan
- The other state's Plan is similar to this Plan
- The other state's Plan also provides for interstate assignments
- The payroll for the employer's operations in this state is not greater than the payroll in the other state

The rates, rating plans, classifications, and policy forms used to provide coverage in this state must be those which are applicable to the residual market in this state, and are on file and have been approved by the regulatory authority and authorized for use in the residual market by the Plan Administrator.

The Plan Administrator of the other Plan is authorized to assign employers with operations in this state to the other Plan's assigned carriers subject to the following conditions:

- (1) If the assigned carrier is a direct assignment carrier, it must also be a direct assignment carrier in this state pursuant to Option 1 of the Participation section or a servicing carrier in this state pursuant to paragraph 1. of Rule 4-A-5—Participation or servicing carrier in this state pursuant to Rule 4-A-7-a.
- (2) If the assigned carrier is a signatory to an agreement providing reinsurance for workers compensation insurance policies issued to residual market employers under this other state's ~~Articles of Agreement Association Bylaws~~, it must also be a signatory to the ~~Articles of Agreement Association Bylaws~~ in this state or a direct assignment carrier in this state. In addition, if the payroll for the employer's operation in this state is greater than \$250,000, and if the assigned carrier is a signatory to the ~~Articles of Agreement Association Bylaws~~ or a similar document in the other state, it must also be a servicing carrier or a direct assignment carrier in this state. If there is no eligible assigned carrier in this state that is also an insurer in the state of assignment, then the above payroll limitation may be removed at the discretion of the Plan Administrator or the employer may be required to submit a separate application for coverage in this state.
- (3) The other state's Plan must give the Plan Administrator in this state similar authority to make interstate assignments.

With regard to interstate assignments and policies, this Plan will have jurisdiction over all disputes resulting from the application of rules, programs, and procedures in accordance with Rule 4-A-10. Disputes regarding application requirements will be under the jurisdiction of the state's Plan where the application was submitted.

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EXHIBIT 16
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

9. Assignment Formula Determination

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

b. Assignment Distribution

- (1) The percentage of Plan premium assigned to carriers is based on the following distribution:

(a) Direct Assignment Carriers

The distribution of assignments to a direct assignment carrier will be equal to its net voluntary premiums written in a state as compared to the total net premiums written in that state by all members of the Plan. A direct assignment carrier's reinsurance treaty exclusions are not considered when making assignments.

(b) Servicing Carriers

A servicing carrier is responsible for providing services on behalf of those insurers that have elected to meet their Plan participation requirements by subscribing to the ~~Articles of Agreement Association Bylaws~~ pursuant to Option 2 of Rule 4-A-5—Participation. Its allocable percentage will be determined by the Plan Administrator through an objective selection process. However, the combined allocable percentages for all servicing carriers must be equal to the combined net voluntary premiums written for all signatories to the ~~Articles of Agreement Association Bylaws~~ as compared to the total net premiums of all insurers participating in the Plan in this state.

This distribution is based on each direct assignment carrier's allocable percentage and the combined allocable percentage of all servicing carriers, and the amount of estimated premium in the Plan, so far as practicable.

An approved assigned carrier may receive assignments for any risk eligible for coverage under the Plan.

- (2) When assigning an employer to an insurer, the assignment mechanism considers the employer's prior Plan coverage, special requirements (i.e., additional states or federal coverage) and premium size.
- (3) Any carrier authorized by the U.S. Department of Labor to provide coverage under the U.S. Longshore and Harbor Workers Compensation (USL&HW) Act and extension acts is eligible to receive assignments requesting the same coverages in the assigned risk market. Carriers with USL&HW authorization will also be eligible for assignments requesting Maritime (Admiralty), Program I or II. Assignments requesting USL&HW, Maritime, and/or extension acts coverage will be made as determined by the Plan Administrator in accordance with the assignment methodology established by the Plan Administrator.
- (4) An assigned carrier that, in any state, has previously reported voluntary or assigned risk premium writing that is subject to the Federal Coal Mine Health and Safety Act or has previously accepted assignments in any state for operations that are subject to the Federal Coal Mine Health and Safety Act, will receive assignments requesting such coverage in accordance with the assignment methodology as established by the Plan Administrator.

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EXHIBIT 17
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RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

10. Dispute Resolution Procedure

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

c. WCIP Disputes

Any Plan participants (~~Pool Association~~ members and/or assigned carriers) who have a dispute with respect to any aspect of the Plan or ~~Pool Reinsurance Agreement(s)~~ (including any dispute arising out of the ~~Articles of Agreement Association Bylaws~~) must first seek a review of the matter under this section by providing the following to Plan Administrator:

- Written documentation detailing specific areas of the dispute
- Specific request for a review of all documentation
- Appropriate actions of areas to resolve the dispute

The Plan Administrator may request additional information, as it deems necessary to make a decision. All disputes submitted to the Plan Administrator will be governed as follows:

(1) Plan-Related Disputes

For disputes relating to the general operation of the Plan, including but not limited to, standards for assigned carrier performance, compensation and incentives and application assignment determination, the Plan Administrator (upon receipt of all necessary information regarding the dispute), will review the matter and provide a written decision within thirty (30) days.

Any party affected by the decision of the Plan Administrator may seek binding arbitration for such purpose; or in the alternative, the party may seek a *de novo* review by the regulatory authority, by requesting such binding arbitration or *de novo* review in writing and at its own expense, within thirty (30) days after the date of such decision.

For any such *de novo* review, the regulatory authority will:

- Follow those procedures applicable to administrative hearings in the state
- Decide the dispute in accordance with the state law, regulation, and policy and in the interests of the efficient, cost-effective, reasonable, and proper administration of the Plan

The regulatory authority's decision will be final, subject to court review under the applicable state law, regulation, and/or rule.

For disputes relating to the servicing carrier selection process, refer to the Bid Protest Procedures contained in the applicable Servicing Carrier Request for Proposal (RFP).

(2) ~~Pool Reinsurance Agreement~~-Related Disputes

If the dispute arises under the ~~Articles of Agreement Association Bylaws~~ or Reinsurance Agreement(s), the ~~Pool Administrator~~ designated under the ~~Articles of Agreement Association Bylaws~~ (Reinsurance Administrator) will, after receipt of all necessary information regarding the dispute, review the matter and provide a written decision within thirty (30) days. Any party affected by the decision may seek a review by the Board of ~~Governors~~ Directors established under the ~~Articles Association Bylaws~~ by requesting such review, in writing, within thirty (30) days of the date of the decision by the ~~Pool Reinsurance Administrator~~ under the ~~Articles of Agreement Association Bylaws~~. The Board of ~~Governors~~ Directors may (a) consider the matter and render its written decision pursuant to the procedures set forth in the ~~Articles of Agreement Association Bylaws~~, or (b) waive its decision and offer the aggrieved party the option of appealing directly to the regulatory authority or submitting the dispute to arbitration in accordance with the terms and conditions established by the

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**EXHIBIT 17 (CONT'D)
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RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

10. Dispute Resolution Procedure

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

Board of Directors. Any party affected by a decision of the Board of ~~Governors~~ Directors may seek a *de novo* review by the regulatory authority by requesting such a review, in writing, within thirty (30) days of the date of the Board of ~~Governors~~ Directors' decision.

If the dispute relates to the expulsion of a participating company under the ~~Articles of Agreement~~ Association Bylaws by the Board of ~~Governors~~ Directors or the noncontinuation of the reinsurance afforded under the ~~Articles of Agreement~~ Association Bylaws, any appeal may be taken directly to the regulatory authority without first complying with the procedures contained herein. The regulatory authority will have exclusive jurisdiction over all such disputes.

For any such *de novo* review, the regulatory authority will:

- Follow those procedures applicable to administrative hearings in the state
- Decide the dispute in accordance with the state law, regulation, and policy and in the interests of the efficient, cost-effective, reasonable, and proper administration of the ~~Articles of Agreement~~ Association Bylaws

The regulatory authority's decision will be final, subject to court review under the applicable state law, regulation, and/or rule.

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EXHIBIT 18

BASIC MANUAL—2001 EDITION

Rule 4 WORKERS COMPENSATION INSURANCE PLAN RULES

B. PROFESSIONAL EMPLOYER ORGANIZATION (PEO) ARRANGEMENTS

1. Definitions

(Applies in: AL, AR, DC, IA, ID, KS, NH, SC, SD, VT)

a. Assigned Carrier

An insurer assigned to provide coverage to an employer who has applied for and is good faith eligible for workers compensation insurance under the Plan. An assigned carrier can either be defined as one of the following:

- **Servicing Carrier**— An insurer authorized by the regulatory authority to receive Plan assignments and provide coverage to eligible employers on behalf of those participating companies subscribing to the ~~Articles of Agreement Association Bylaws~~ incorporated as part of the WCIP or
- **Direct Assignment Carrier**— An insurer that has elected and has been authorized by the regulatory authority to receive assignments under Option 1 of NCCI's *Basic Manual* Rule 4-A-5, directly from the Plan Administrator without reinsurance through the ~~National Workers Compensation Reinsurance Pool (NWCWP) Reinsurance Agreement(s)~~. Insurers selecting the direct assignment option will be solely responsible for the financial results of the assignments they receive.

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EXHIBIT 19
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
C. LOSS SENSITIVE RATING PLAN (LSRP)
2. LSRP Definitions
(Applies in: AL, CT, DC, GA, ID, IL, KS, NH, NV, OR, SC, SD, VT)

b. Assigned Carrier

An insurer assigned to provide coverage to an employer who has applied for and is good faith eligible for workers compensation insurance under the Plan. An assigned carrier can either be defined as one of the following:

- **Servicing Carrier**—An insurer authorized by the regulatory authority to receive Plan assignments and provide coverage to eligible employers on behalf of those participating companies subscribing to the ~~Articles of Agreement~~ Association Bylaws incorporated as part of the WCIP, or
- **Direct Assignment Carrier**—An insurer that has elected and has been authorized by the regulatory authority to receive assignments under Option 1 of *Rule 4-A-5* of the WCIP, directly from the Plan Administrator without reinsurance through the ~~NWCRP Reinsurance Agreement(s)~~. Insurers selecting the direct assignment option will be solely responsible for the financial results of the assignments they received.

Assigned carrier references throughout the Plan mean direct assignments carriers and servicing carriers. If a carrier is specifically referenced as either direct assignment carrier or servicing carrier, the language is exclusive of that carrier's status.

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EXHIBIT 20
BASIC MANUAL—2001 EDITION
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
D. VOLUNTARY COVERAGE ASSISTANCE PROGRAM (VCAP SERVICE)
2. Definitions
(Applies in: AK, AL, AZ, CT, DC, GA, ID, IL, KS, NH, NV, SC, SD, VT)

f. ~~National Workers Compensation Reinsurance Pool or National Pool~~ **National Workers Compensation Reinsurance Association NFP (NWCRA or Association)**

~~A contractual arrangement among participating insurers that serves as a reinsurance facility for workers compensation insurance in a number of states and that is administered by the National Council on Compensation Insurance, Inc.~~ A not-for-profit corporation whose members provide for contractual quota share reinsurance through Reinsurance Agreement(s) among themselves as workers compensation insurers, which affords such insurers an option for complying with state workers compensation insurance plan requirements by sharing in the experience of certain policies written pursuant to such insurance plans.

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**EXHIBIT 21
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RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
D. VOLUNTARY COVERAGE ASSISTANCE PROGRAM (VCAP SERVICE)
3. General Explanation
(Applies in: AK, AL, AZ, CT, DC, GA, ID, IL, KS, NH, NV, SC, SD, VT)**

a. Voluntary Coverage Provider Eligibility Requirements

Voluntary coverage providers must meet the following minimum eligibility requirements to participate in NCCI's **VCAP[®] Service**:

- (1) Participate in the Plan as a ~~Pool participant~~ member of the National Workers Compensation Reinsurance Association or as a residual market assigned carrier
- (2) Be licensed to write workers compensation and employers liability insurance in the state in which NCCI's **VCAP[®] Service** has been approved
- (3) Have a minimum of a B+ financial rating as published by A.M. Best
- (4) Agree to **VCAP[®] Service** contractual arrangements and/or procedures established by NCCI and/or the Plan Administrator

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EXHIBIT 22

BYLAWS

NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP

ARTICLE I

Definitions - Rules of Construction

Unless otherwise provided herein, all terms defined in any Authorized Insurance Plan shall have the same meaning in these Bylaws.

The terms “net premiums written,” “net workers compensation insurance premiums written,” “workers compensation premiums written” and “workers compensation insurance premiums,” wherever used in these Bylaws, shall mean the gross direct premiums charged less all premiums (except dividends and savings refunded under participating policies) returned to policyholders for all Workers Compensation and Occupational Disease Insurance, exclusive of premiums for risks subject to these Bylaws, and for risks written under National Defense Projects Rating Plan and under excess policies. (An excess workers compensation insurance policy is a policy issued to provide coverage for amounts above a self-insured retention.)

The term “Insurance Plan(s)” wherever used in these Bylaws shall mean workers compensation insurance plans or other assigned risk workers compensation insurance plans that are in effect in various states and which generally provide for the issuance of workers compensation policies to employers who are in good faith entitled to workers compensation insurance as defined in the insurance plans but are unable to procure such insurance in a regulatory manner.

“Authorized Insurance Plan” wherever used herein shall mean an Insurance Plan (i) approved by the insurance regulator in any state that provides workers compensation insurance to employers who are in good faith entitled to such insurance but are unable to procure such insurance in a regular manner and (ii) which has been authorized by the Board of Directors under Article V, Section 7.

The term “Workers Compensation” and the word “Workers” wherever used within these Bylaws mean Workers or Workmen’s as applicable.

The term “Reinsurance Agreements” shall mean those quota share reinsurance agreements entered into among the Servicing Carriers and the Members in the capacities as licensed insurance companies, as provided for in these Bylaws. These Reinsurance Agreements reinsure the direct insurance obligations of the Servicing Carriers that issue insurance policies in their own names directly to policyholders under the Authorized Insurance Plans.

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The term "Administrator" shall mean the entity designated by the Board of Directors to provide the necessary administrative services as are required to achieve the purposes of the Reinsurance Agreements.

The term "Servicing Carrier(s)" shall mean those licensed insurers which (i) have been selected pursuant to the Authorized Insurance Plans to issue to employers who are eligible for such coverage direct workers compensation insurance policies, as defined in those Plans, such policies being issued in the insurer's own name; and (ii) with respect to such policies, have ceded reinsurance pursuant to the Reinsurance Agreements.

ARTICLE II**Purposes and Limitations**

- 1. Purposes.** The purposes of the Corporation include those set out in the Corporation's Articles of Incorporation and to provide Members with an option for complying with Authorized Insurance Plan requirements by permitting the Members to share in the experience of certain assigned risks through reinsurance, thereby reducing both administrative costs and the annual fluctuation in the liability of Members arising from Authorized Insurance Plan participation. Under the Insurance Plans, an employer who qualifies for coverage is assigned to a carrier to issue and service the policy of insurance issued to such employer. Assignments are made to Servicing Carriers that are appointed pursuant to the Authorized Insurance Plans to write and service the policies issued to employers, which policies are then reinsured by the Members in their capacities as licensed insurance companies pursuant to the Reinsurance Agreements. The service provided by the Servicing Carriers is the provision of direct insurance, which includes underwriting and issuing the policy, auditing and collection of premiums, paying all premium and loss based taxes and assessments, providing loss control, and defending and paying claims.

All Members must enter into Reinsurance Agreements with Servicing Carriers for the purpose of sharing through reinsurance, whether as separate or combined components, the premiums, losses, costs and/or expenses of the policies assigned to the Servicing Carriers. The Reinsurance Agreements distribute premiums, losses, costs and/or expenses and define the obligations among the Servicing Carriers and the Members in their capacities as reinsurers. The Corporation will: (1) facilitate the reinsurance by establishing uniform rules and procedures; (2) provide a framework which permits the Members to agree upon such rules and procedures in the

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future; and (3) provide a mechanism for resolving disputes arising under the Reinsurance Agreements and these Bylaws.

The relationship under the Reinsurance Agreements between the Servicing Carriers and the Members in their capacities as reinsurers shall be administered by a separate organization ("Administrator") as provided for in an administration agreement (herein "Administration Agreement"). The Administrator's duties and obligations with respect to such administration are established by: (i) the Authorized Insurance Plans; (ii) these Bylaws; and (iii) the Administration Agreement. The Administrator is also designated as an agent for the Members to enter into contracts on their behalf to carry out the purposes of these Bylaws including but not limited to the Reinsurance Agreements.

- 2. Limitations.** No Insurance Plan for any state shall be brought within the scope of these Bylaws and the rules and procedures adopted hereunder unless these Bylaws have been authorized for and incorporated as part of the Insurance Plan that has been filed with the insurance regulator in such state and approved, or the Bylaws are otherwise approved by the insurance regulator.

These Bylaws shall apply to policies issued to employers whose risks have been assigned to and accepted by Servicing Carriers in accordance with any Authorized Insurance Plan and the terms herein.

Commencing on January 1, 200__, these Bylaws shall be applicable to each Authorized Insurance Plan for terms of three (3) calendar years, unless action is taken pursuant to Article V, Section 8. At the end of each such term, these Bylaws shall automatically renew for an additional three (3) year term unless the Board of Directors shall recommend to the Members that no such renewal should be extended to that Authorized Insurance Plan. Any such recommendation by the Board shall be presented to the Members no later than the regular meeting of Members to be held during June of the third year of any such term for a specific Authorized Insurance Plan. Any such recommendation is subject to ratification by the affirmative vote, in person or by proxy, of Members writing at least 66 2/3% of the total net workers compensation premium written by all Members in such state during the latest available calendar year.

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ARTICLE III

Members

1. **Eligibility.** Any company licensed to write workers compensation insurance in any state that has an approved Authorized Insurance Plan may become a Member. Any state Workers Compensation Insurance Fund established by law also may become a Member. The Board of Directors may permit participation at its sole discretion to any group, organization, association or other entity it deems appropriate.

A company that elects to become a Member need not participate in the reinsurance in all states where the Bylaws have been approved. If, however, a Member is part of a group or affiliation, its election as to which states it will participate must be the same for all companies affiliated in the group. At the time a company becomes a Member, it must identify all affiliated companies and notify the Administrator in which states it will participate. Thereafter, any Member may withdraw from providing reinsurance in any state by giving notice as required in paragraph 2 below subject to the withdrawal of all affiliated companies from such state or states.

2. **Withdrawal.** Any Member may withdraw as a reinsurer with respect to the reinsurance in a given state or states only on December 31 of any year and must give ninety (90) calendar days' advance written notice to the Administrator. Any withdrawal must be made by all companies affiliated within a group.
3. **Expulsion.** The Board of Directors, by affirmative vote of at least nine (9) directors then holding office and eligible to vote, may at any time expel any Member which in the opinion of the Board shall have violated any of the provisions of these Bylaws or of the rules forming a part hereof as then constituted. Prior to any such action by the Board, the Member shall have the opportunity to present any relevant evidence to the Board concerning any such alleged violation after notice of no less than ten (10) calendar days by the Board which specifies the alleged violation. If, after the Member has presented evidence to the Board, the Board determines that a violation has occurred, the Board shall send the Member a notice of expulsion by mail, facsimile transmission, or delivery to such Member at its latest home office address appearing on the records of the Administrator. If the violation is not cured within fifteen (15) calendar days following the mailing, transmission, or delivery of such notice, the expulsion shall become effective at a date to be determined by the Board but no later than December 31st of the current calendar year. No

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member of the Board of Directors may vote in a proceeding to expel a Member by which it is employed or any of its affiliates.

Notice of an expulsion shall be given to the insurance regulator in each state where the expelled Member was providing reinsurance. The expelled Member shall have the right to request a review of the Board of Directors' decision by the insurance regulator pursuant to the Dispute Resolution Procedures under the applicable Authorized Insurance Plans.

- 4. Obligations After Termination.** Any Member which terminates participation by withdrawal or by expulsion or has withdrawn from providing reinsurance in a certain state or states shall, nevertheless, with respect to risks in force prior to midnight of the effective date of such termination or withdrawal, continue to be governed by these Bylaws, the Reinsurance Agreements, and the rules and procedures promulgated thereunder.

5. Insolvency.

- (a) In the event any Member shall become insolvent, as hereinafter defined, participation by such company under these Bylaws and the Reinsurance Agreements shall be deemed terminated at the time such Member becomes insolvent subject to the further provisions of Section 5(e). As used herein, "insolvent" means being the subject of receivership, conservatorship, rehabilitation, liquidation, or similar court proceedings, whether voluntary or involuntary, in any jurisdiction.
- (b) In the event a Servicing Carrier becomes insolvent, the Administrator, acting on behalf of each of the Members as directed by the Board of Directors, shall have the option to:
 - (i) pay to the receiver, conservator, rehabilitator, liquidator or other appropriate representative all losses and expenses for which such insolvent Servicing Carrier shall have become liable arising out of policies reinsured under Reinsurance Agreements between the Member and such insolvent Servicing Carrier; or
 - (ii) subject to the approval of the receiver, conservator, rehabilitator, liquidator or other representative, and subject to the approval of any court having jurisdiction over the proceedings, terminate the obligation of the Members to such insolvent Servicing Carrier under the Reinsurance Agreements with such insolvent Servicing Carrier for losses, costs and expenses for which the insolvent Servicing Carrier shall have become liable. If this option is exercised, and where

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appropriate in the jurisdiction involved, the Administrator shall make arrangements to have all risks that have been assigned to and are being serviced by such insolvent Servicing Carrier reassigned to another Servicing Carrier or third party service provider for servicing. Such successor Servicing Carrier or third party service provider shall assume all the duties and obligations of the insolvent Servicing Carrier and shall be entitled to the reinsurance provided by the Members. Payment made on account of such risks, including expenses for the servicing thereof, shall be apportioned prorata among the remaining Members in accordance with the method provided for the apportioning of assessments.

- (c) The outstanding liability to the Members of any insolvent Member, whether in its capacity as a Servicing Carrier or a Member or both, and except for the portion unexpended of any amount of premium retained for servicing by such insolvent Member (if a Servicing Carrier), shall, in event of such insolvency, and subject to any other or further provision with respect thereto which may be from time to time embodied in the rules and procedures adopted hereunder, be assumed by and apportioned among the remaining Members in the same manner in which liability for assessments is apportioned. No premium distributions or refunds shall be made to such insolvent Member until all of its liabilities to the Members and all liabilities assumed by the Members by virtue of the provisions in this section shall have been fully settled and satisfied.

The Members shall have all the rights allowed by law against the estate or funds of such insolvent Servicing Carrier for recovery of funds disbursed (including the payment of losses, costs, expenses and unearned Servicing Carrier allowance) to insolvent Servicing Carriers which have been absorbed by the Members as herein provided. The Administrator may assert and enforce such rights on behalf of the remaining Members, and is hereby appointed as their attorney-in-fact for this purpose, to assist and enforce such rights or any compromise on their behalf.

Upon the insolvency of a Servicing Carrier, all amounts due to such insolvent Servicing Carrier from the Members as a result of the reinsurance provided to such Servicing Carrier and all amounts due from the insolvent Servicing Carrier as a Member to other Servicing Carriers it reinsures shall be merged into one account and deemed mutual debts and credits which solvent Members and Servicing Carriers may offset.

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In the event of the insolvency of a Member, any amounts owed to such insolvent Member from any Servicing Carrier under any Reinsurance Agreement may be offset from any amounts owed (either due or to become due) by such insolvent Member to any Servicing Carrier under the same Reinsurance Agreements. It is the intent of this provision that all amounts due to or from an insolvent Member under this provision will be treated as mutual debts and credits for purposes of offset rights.

- (d) The Board of Directors shall have the discretion to terminate participation of any or all affiliated companies of the insolvent Member. The termination of an insolvent Member or any or all companies described in this section shall not be deemed a violation of the requirement contained in Article III, Section I relating to all insurers in a group becoming Members. A decision to terminate an affiliate of an insolvent Member is reviewable under the applicable Authorized Insurance Plans.
- (e) Anything in this Section to the contrary notwithstanding, the Board of Directors may, in the event such action is in its judgment feasible and desirable, and in a manner equitable to all Members, elect not to terminate the participation of such insolvent Member, and permit such Member to continue its participation under these Bylaws upon such conditions as it may prescribe and subject in all respects to these Bylaws and the rules and procedures hereunder as then constituted.
- (f) No member of the Board of Directors that is either an employee or representative of the insolvent Member or affiliate thereof may vote in any proceeding under this Section.

6. Member Obligations.

- (a) The Administrator is authorized to establish a financial credit policy designed to protect the interests of all Members by making sure that each Member, where appropriate, has adequate financial resources to meet its obligations under the Reinsurance Agreements. The financial credit policy may include, but need not be limited to, such things as: (i) financial reporting to the Administrator; (ii) minimum financial standards which must be met by each Member; (iii) actions to be taken by the Administrator when such standards are not met; (iv) obligations of Members in respect to such financial credit policy; and (v) right of appeal. After soliciting individual input from various Members, the Administrator shall be responsible for the preparation and implementation of the financial credit policy and any subsequent amendments thereto.

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- (b) Notwithstanding Section 6. (a) above and in the absence of a good faith dispute as determined by the Administrator, any Member that fails or has failed to make timely payment of its reinsurance obligations or any assessment made under these Bylaws shall become immediately liable as of the earliest date on which such failure to pay occurs, for all current assessments and reinsurance obligations and an additional amount equal to the commuted value on such date of all outstanding reinsurance obligations that such Member may have. For the purposes hereof, such commuted value shall total the amount of unearned premium reserves and incurred loss reserves then allocated to such Member hereunder, as determined by the Administrator and approved by the Board of Directors. The liability of the Member for such commuted value under this provision shall be deemed fixed, liquidated, and non-contingent as of the date of such failure to pay. The Administrator is hereby appointed the attorney-in-fact on behalf of all Members to assert and enforce such liability or any compromise thereof on their behalf.
- (c) In addition to Sections 6. (a) and (b) above, if the Administrator determines that there is a substantial likelihood that a Member's reserves are not adequate to meet its obligations under the Reinsurance Agreements, the Administrator shall have authority to order that all premium distributions or refunds due or that may become due to the Member be paid into escrow or trust with the Administrator, or otherwise be withheld from distribution to the Member, to secure the Member's obligations and that the Member provide a letter of credit or such other form of security and in such amount approved by the Administrator to secure the Member's future liabilities.

7. Authority to Commute. The Board shall have the authority to direct the Administrator to enter into agreements on such terms as may be fair and reasonable for the following:

- (a) to commute with a Servicing Carrier all obligations owed by Members to such Servicing Carrier under the Bylaws or the Reinsurance Agreements;
- (b) to commute any specific policy year or years of an individual Member; or
- (c) to novate or reinsure policy years that have more than ten (10) years of experience.

When required under (a) or (c) above, such commutation or novation can only be effected with the agreement of the Servicing Carrier or carriers involved.

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Any financial obligations arising under any agreement entered into under this Section 7 shall be binding upon the Member or Members.

ARTICLE IV

Member Meetings and Voting Rights

1. **Regular Meetings.** The Members shall meet annually on the third Wednesday of June, or on such other date as the Board of Directors may determine, and at such place as the Board of Directors may determine.
2. **Special Meetings.** Special meetings of the Members may be called at any time by the Chair of the Board of Directors and shall be called by the Chair upon the written request of three (3) non-affiliated Members.
3. **Notice of Meetings.** Except as otherwise provided in Article IX, notice of all annual and special meetings shall be given or caused to be given by the Chair, in writing, mailed or delivered to, or by facsimile transmission or e-mail direct to, each Member at the latest address appearing upon the records of the Administrator, or by telephone communication to any executive officer of such Member. If notice is given by writing and mailed to the Member, such notice shall be placed in the mail not less than five (5) and not more than sixty (60) calendar days prior to the date of the meeting.
4. **Quorum.** A quorum at any annual or special meeting shall consist of Members represented in person or by proxy that write not less than 50.1% of the total net workers compensation premiums written by all Members during the latest calendar year for which information is available in all states where these Bylaws are operative. For purposes of determining a quorum and any vote taken hereunder, the net workers compensation premium written for each Member shall only include those states where such Member is providing reinsurance.
5. **Powers.** The purpose of any special meeting shall be stated in the notice thereof; but at all such meetings and at annual meetings, Members may consider and act upon all matters brought before them, except where otherwise specifically provided in these Bylaws.
6. **Voting Rights.** Except where otherwise provided in these Bylaws, at all meetings action may be taken only upon affirmative vote of a majority of the Members that write not less than 50.1 % of the total net workers compensation premiums written by all Members during the latest calendar year for which information is available in all states where these Bylaws are operative. If such

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meeting is limited to matters involving one state by the terms of the notice of meeting, no action may be taken unless there has been an affirmative vote of Members that write not less than 50.1% of the total net workers compensation premiums written by all Members providing reinsurance in such state during the latest calendar year for which information is available in such state.

7. **Proxies and Mail Votes.** Members may be represented at any meeting by proxy. Every proxy shall be in writing and signed by an authorized officer of the Member. No proxy shall be valid after the expiration of six (6) months after the date thereof. Every proxy shall be revocable at the pleasure of the Member executing it. Before any proxy can be voted, it shall first be filed with the Chair of the Board of Directors or the Chair's designee not later than one (1) full business day in advance of the meeting.
8. **Procedure / Minutes of Meetings.** Minutes of all meetings of the Members and of the Board of Directors shall be recorded and be available to all Members. Except as otherwise specifically provided in these Bylaws, all annual and special meetings shall be conducted in accordance with the rules of parliamentary procedure established in the most current edition of *Robert's Rules of Order*.
9. Action may be taken without a meeting in accordance with statutory requirements.

ARTICLE V**Board of Directors**

1. **Number and Term of Office.** Except for those powers specifically granted to the Administrator or an administrator under any Authorized Insurance Plan, these Bylaws and the Administrative Agreement, the operation, business and affairs of all matters arising under these Bylaws shall be managed and controlled by a Board of Directors composed of twelve (12) individuals, none of whom are employees or representatives of the same Member. Only individuals who are employees or representatives of Members shall be eligible for election as Directors.

The Board shall be elected by the Members at the annual meeting of the Members. Board elections shall be made for staggered terms, with such terms effective immediately upon adjournment of the annual meeting of the Members.

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Four (4) individuals shall be elected annually for a term of three (3) years. No individual serving on the Board for a full term shall succeed himself or herself, except where a sufficient number of non-succeeding individuals cannot be induced to serve on the Board.

No more than five (5) of the twelve (12) Board members shall be employees or representatives of Members that are Servicing Carriers.

To facilitate voting for members of the Board of Directors at annual meetings, at least sixty (60) days prior to each annual meeting the Board shall appoint a Nominating Committee consisting of four (4) Members. The Nominating Committee shall make nominations for the terms that are expiring at the next annual meeting. The Nominating Committee recommendations shall be reported to all Members at least one (1) week prior to the annual meeting. Any Member can make additional nominations at the annual meeting.

2. **Vacancies.** If a vacancy occurs in the Board of Directors, the Board shall appoint a replacement which will serve until an election can be held at the next annual or special meeting of the Members to fill the unexpired term.
3. **Place of Meetings.** All meetings of the Board shall be held at a place designated by the Chair.
4. **Quorum and Voting Rights.** A majority of the Board of Directors shall constitute a quorum. Each Board member shall be entitled to one vote. Proxy voting shall not be permitted. Any Board action requires an affirmative vote of a majority of the Board present for the meeting at which a quorum is present. If such votes are not cast, the matter fails adoption except as provided for elsewhere in these Bylaws. In the absence of a quorum, the Board, subject, however, to the provisions of Section 2 of this Article V relative to filling vacancies on the Board, shall have no power except that a majority of the Board of Directors in attendance may adjourn the meeting from time to time until a quorum shall attend.
5. **Meetings.** The Board shall meet within thirty (30) calendar days next following the annual election of the Board for the purpose of electing officers to serve for the next ensuing year and for the transaction of all other business within the powers of the Board. Other regular meetings of the Board of Directors shall be held at such places and on such dates as the Board may from time to time determine. Special meetings of the Board may be called at any time by the Chair, or by the Chair upon written request of three (3) non-affiliated Board members. Such notice of regular and special meetings of the Board shall be given as may be determined by the Board or, in the event the period or method of notice shall not have been prescribed, as the Chair shall

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deem reasonable. Board members may participate in meetings of the Board by means of a conference telephone, video conference, or similar communications method by which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

- 6. Action Without Meeting.** Any action of the Board of Directors may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Board members then in office and is filed with the minutes of the Board of Directors. Such unanimous written consent shall have the same effect as a unanimous vote of the Board.
- 7. Authorization.** These Bylaws shall not apply to any Insurance Plan unless the incorporation of these Bylaws into such Insurance Plan is first authorized by the Board of Directors, or the Board approves their application upon some other form of approval by the insurance regulator. The Board has the power, through such vote, to take necessary and appropriate steps to incorporate the Bylaws into such Insurance Plans through filings with the appropriate regulators for consideration and approval, or to otherwise obtain approval from appropriate regulators. In the event that amendments to these Bylaws are not approved by the insurance regulator in a particular state, the most recently approved version of the Bylaws shall continue to apply to risks written through the Insurance Plan in that state.
- 8. Plan Changes.** The Board shall monitor and review any change in any Authorized Insurance Plan and any changes in the identity of the Plan Administrator for any such Plan. The Board shall assess the effect of any such changes on the interests of the Members and policyholders insured under any Authorized Insurance Plan and shall approve all such changes unless the Board finds that such changes would be inconsistent with the purposes of these Bylaws. If the Board does not approve such a change, the Board may elect to terminate reinsurance in accordance with the termination provisions of the applicable Reinsurance Agreement. Any decision by the Board to elect to terminate reinsurance shall be subject to the approval of the Members at any regular or special meeting thereof. At any time, the Board of Directors may develop and present proposed amendments, changes, or revisions to, or complete replacements for, an existing Authorized Insurance Plan or proposed Insurance Plan where the Board believes its proposal would be in the overall interest of the Members in a given state.
- 9. Organization and Procedure.** The members of the Board of Directors annually shall elect a Chair and a Vice-Chair. The Chair, or in his or her absence the Vice-Chair, or in the absence of

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both, a Chair pro tem elected by the Governors present, shall act as a Chair of every meeting of the Board; and the Chair shall appoint a person to act as secretary of the meeting, who shall keep a record of the Board's proceedings. The order of business at all meetings of the Board shall be determined by the Chair. Except as otherwise specifically provided in these Bylaws, all meetings of the Board shall be conducted in accordance with the rules of parliamentary procedure established in the most current edition of *Robert's Rules of Order*.

- 10. Disputes and Appeals.** In addition to the powers elsewhere conferred upon it by these Bylaws, the Board of Directors shall constitute a committee with full authority to pass upon all disputes arising with respect to these Bylaws, including without limitation any questions as to the application, scope, and effect of these Bylaws. The ruling or a majority of the Board as then constituted on any such dispute or question following reasonable notice and an opportunity for a hearing shall be final. All disputes reviewed by the Board of Directors and appeals therefrom shall be subject to and in accord with the Dispute Resolution Procedures provided for in the various Authorized Insurance Plans.
- 11. Rules and Procedures.** The Board of Directors shall have the right to promulgate and adopt rules and procedures for the purpose of implementing the terms of these Bylaws and may also delegate their power to promulgate and adopt rules and procedures to the Administrator, subject to repeal by the Board.
- 12. Authority of Administrator.** The Administrator is authorized to enter into agreements on behalf of the Members to carry out the purposes of these Bylaws, including but not limited to the Reinsurance Agreements. Upon direction by the Board of Directors, the Administrator is empowered to act as attorney-in-fact for each Member to prosecute, to defend, to submit to arbitration, to settle, and to propose or to accept a compromise with respect to, any claim existing in favor of, or against, such Member based on or involving any matter relating to the Bylaws or to intervene in any action or proceeding related thereto. The Administrator or an officer thereof is authorized to certify these Bylaws, acts taken by the Board or the Members, the tenure of, signatures, identity and acts of officers or other officials, or other official acts; and such certificates may be relied upon by any person to whom the same shall be given, until receipt of notice to the contrary.
- 13. Chair.** The Chair shall be chief executive officer under these Bylaws, and shall have overall control of and responsibility for all activities subject to these Bylaws and other powers which are

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incidental thereto. The Chair shall serve for a term of one year and any Member serving as Chair for such term or any portion thereof may succeed himself or herself, provided further that the Chair shall be limited to two (2) consecutive one-year terms, unless otherwise approved by the Board of Directors. The Chair shall not vote in any matter requiring action by the Board of Directors under these Bylaws, except in the event of a tie vote among those Board members voting on any particular matter.

- 14. Vice-Chair.** The Vice-Chair shall have immediate charge, subject to the direction and control of the Chair, of such matters as may be assigned to him or her. In the Chair's absence or inability for any reason to act as the Chair, his or her executive duties and powers under these Bylaws may, with like effect, be performed and exercised by the Vice-Chair or, if the latter also be absent or unable to act, by a Chair pro tem elected by the Directors present.
- 15. Committees.** The Chair may from time to time appoint such committees, (which may include representatives from Members that are not represented on the Board), with such duties and subject to such rules or conditions, not inconsistent herewith, as the Chair may deem desirable. The Chair shall appoint a Chair of each committee, who shall have the same powers and duties with respect to the committee so chaired as the Chair of the Board of Directors has with respect to the Board as a whole. Committee meetings shall be convened and conducted, and action may be taken by each committee, in the same manner as is provided herein for meetings and action of the Board of Directors.

ARTICLE VI

Fiscal Matters

- 1. Fiscal Year.** The Corporation's fiscal year shall be the calendar year unless otherwise established by the Board of Directors.
- 2. Accounts.** Funds held temporarily for the benefit of Members, including funds withheld pursuant to Article III, Section 6, shall be held by the Administrator and kept on deposit in such banks, trust companies or other depositories as may from time to time be designated and prescribed by resolution of the Board of Directors. The Administrator shall have full authority to deposit, withdraw, and invest such funds in order to carry out the purposes of these Bylaws and the Reinsurance Agreements. The Administrator shall keep accurate records to identify such deposits, withdrawals, and investments which shall be available for review by the Board at any

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3. Investment Income. All income on the funds held for the benefit of the Members shall, upon receipt thereof, become subject to all the appropriate provisions of these Bylaws and the Reinsurance Agreements, except for funds held pursuant to Article III, Section 6 in which case interest will be for the benefit of the Member that has provided the security required.

ARTICLE VII

Indemnification

1. **Indemnification in Actions Other than by or in the Right of the Corporation.** The Corporation shall indemnify any person or Member who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he, she or such Member is or was a director, officer, employee, member or agent of the Corporation, or (in the case of natural persons) who is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or Member in connection with such action, suit or proceeding, if such person (or, in the case of a Member, the natural persons acting as representatives of such Member) acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person or representative did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, that the person or representative had reasonable cause to believe that his or her conduct was unlawful.
2. **Indemnification in Actions by or in the Right of the Corporation.** The Corporation shall indemnify any person or Member, except as provided in Section 13 below, who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such

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person or member is or was a director, officer, employee, member or agent of the Corporation, or (in the case of natural persons) who is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person or Member in connection with the defense or settlement of such action or suit, if such person (or, in the case of a Member, the natural persons acting as representatives of such Member) acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, provided that no indemnification shall be made in respect of any claim, issue or matter as to which such person, representative, or Member shall have been adjudged to be liable for negligence or misconduct in the performance of such party's duty to the Corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such party is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

- 3. Notice to Corporation.** With respect to any action or suit to which this Article applies, the party to be indemnified hereunder shall give notice to the Corporation as soon as practicable of any such action or suit, and no expenses (including attorneys' fees) shall be incurred by such party, nor shall such action or suit be settled, without consent of the Corporation, such consent not to be unreasonably withheld.
- 4. Determination of Conduct.** Any indemnification under Sections 1 and 2 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a determination by the board of directors that indemnification of the party seeking such indemnification is proper in the circumstances because such party has met the applicable standard of conduct set forth in Sections 1 or 2 of this Article. Such determination shall be made with respect to a person who is a director or officer at the time of the determination (a) by the majority vote of the directors who are not parties to such action, suit or proceeding even though less than a quorum; (b) by a committee of the directors designated by a majority vote of the directors, even though less than a quorum; (c) if there are no such directors, or if the directors so direct, by independent legal counsel in a written opinion; or (d) by the members entitled to vote, if any.

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- 5. Payment of Expenses in Advance.** Expenses (including attorney's fees) incurred by an officer or director in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, as authorized by the board of directors in the specific case, upon receipt of an undertaking by or on behalf of the director or officer, to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article. Such expenses (including attorney's fees) incurred by former directors and officers or other employees, or by Members or agents may be so paid on such terms and conditions, if any, as the Corporation deems appropriate.
- 6. Indemnification Not Exclusive.** The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of Members or disinterested directors, or otherwise, both as to action in such party's official capacity and as to action in another capacity while holding such office, and shall continue as to a party who has ceased to be a director, officer, employee, member or agent, and shall inure to the benefit of the heirs, executors, administrators and corporate successors of such a party.
- 7. Insurance.** The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article.
- 8. Notice to Members.** If the Corporation has paid indemnity or has advanced expenses under Section 2 of this Article to a director or officer, the corporation shall report the indemnification or advance in writing to Members entitled to vote with or before the notice of the next meeting of the Members entitled to vote.
- 9. References to Corporation.** For purposes of this Article, references to "the Corporation" shall include, in addition to the surviving corporation, any merging corporation (including any corporation having merged with a merging corporation) absorbed in a merger which, if its separate existence had continued, would have had the power and authority to indemnify its

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directors, officers, employees, members or agents, so that any party who was a director, officer, employee, member or agent of such merging corporation, or was serving at the request of such merging corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the surviving corporation as such party would have with respect to such merging corporation if its separate existence had continued.

- 10. Other References: Benefit Plans.** For purposes of this Article, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries. A person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article.
- 11. Other References: Agent.** For purposes of this Article, the Administrator and officers and employees of the Administrator acting on behalf of one or more members as provided in these Bylaws shall not be deemed “agents” of the Corporation nor persons serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and this Article shall not confer any indemnification rights on the Administrator or its officers and employees. However, nothing in this Article shall prohibit the Corporation from indemnifying the Administrator and its officers and employees or other affiliates by written contract, the terms of such indemnification to be set by such contract.
- 12. Apportionment and Assessment.** The Corporation's liability for any indemnity provided in this Article shall be apportioned among all Members, including any named (directly or through their directors, officers, employees or agents) in any threatened, pending or completed action or suit under Sections 1 or 2 of this Article, pursuant to Article X of these Bylaws. To the extent that such threatened, pending or completed action or suit concerns matters in one or more identifiable states in which reinsurance is provided to an Authorized Insurance Plan under these Bylaws and to particular policy years of such reinsurance, the liability for such indemnification shall be ratably apportioned to the Members for those states and policy years in question. Consistent with this Section 12 and with Article X, the Administrator shall have power to assess Members as

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necessary to fund the indemnification obligations provided in this Article.

- 13. No Indemnification for Member when Action Brought by Corporation.** Any Member that is made a party to a lawsuit by the Corporation or settles a dispute with the Corporation shall not be entitled to indemnification or reimbursement under this Article VII.

ARTICLE VIII**Dissolution**

Dissolution. Upon the dissolution of the Corporation or the winding up of its affairs, the assets of the Corporation shall be distributed in the discretion of the Board of Directors exclusively for the common business interests of its Members or to organizations which are exempt from Federal Income Tax under IRC Section 501(c)(6) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.

ARTICLE IX**Amendments to Bylaws**

Amendments to Bylaws. Any and all provisions of these Bylaws and any amendments hereto shall be subject to amendment, alteration, repeal, or re-enactment at any annual meeting of the Members, or at any special meeting called for the purpose, by the affirmative vote of two-thirds (2/3) of the Members voting in person or by proxy and such two-thirds (2/3) of said Members shall write not less than 50.1% of the total net workers compensation premiums written by all Members during the latest available calendar year for which information is in all states where these Bylaws are operative. For purposes of this determination, the net workers compensation premium written for each Member shall only include those states where such Member is providing reinsurance under these Articles. Not less than fifteen (15) calendar days' written notice of any such meeting shall be given, or caused to be given, by the Chair, in which notice the action proposed to be taken shall be fully set forth. Any amendments to these Bylaws approved by the Members shall be binding on the Members for all outstanding policy years, but shall only be effective in those states where the amendments have been filed and approved by the insurance regulator as part of the Authorized Insurance Plans in effect in such states, or as otherwise approved by the regulator.

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EXHIBIT 22**ARTICLE X****Effective Date**

Effective Date. These Bylaws and any amendments thereto, as approved under the provisions of Article IX, shall become effective and binding on those Members that become Members hereto as of the date they become Members. Notwithstanding the foregoing, if pursuant to the terms of any statute, regulation, or Authorized Insurance Plan, any Member was under a legal duty to participate in the reinsurance provided under these Bylaws but failed or refused to become a Member as required, the application of these Bylaws shall relate back to the policy year when the Member first became obligated to become a Member.

ARTICLE XI**Assessments and Expenses**

- 1. Expenses and Payments.** Expenses incurred by the Administrator in the administration of the affairs subject to these Bylaws, shall be a proper charge against, and shall be an obligation of the Members. A record shall be kept of all such expenses, and the amount thereof shall be apportioned to the Members in the ratio of their interest under the various Reinsurance Agreements. Such expenses may be paid out of funds held by the Administrator or shall be assessed against the Members.
- 2. Audit.** An examination and audit of the Corporation's financial statements shall be made annually in accordance with generally accepted auditing standards by a Certified Public Accountant.
- 3. Transactions, Accounts, and Financial Statements.** In addition to maintaining the Corporation's books and records, separate accounts shall be maintained by the Administrator covering transactions for each policy year in each state based on the information provided to the Administrator by the Servicing Carriers pursuant to the Reinsurance Agreements. The Administrator shall prepare and deliver to each Member a statement showing the apportionment of only that Member's obligations under the Reinsurance Agreements, including the expenses of administration provided for herein and the condition of each account. The Administrator shall distribute premium and collect reinsurance recoverables as provided for in the Reinsurance Agreements. The Board shall select independent auditors for engagement by the Administrator to examine an annual special-purpose financial statement prepared by the Administrator for transactions pursuant to the Reinsurance Agreements. The preparation and examination of such

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special-purpose financial statement shall be performed pursuant to accounting policies and standards that may be adopted from time to time by the Board. As part of this process, the auditors shall make such actuarial determinations as are necessary and appropriate, including the validation of appropriate reserves for each policy year. Upon Board approval of the special-purpose financial statement examination report, the Administrator shall make a copy of such examination report available upon request to any Member.

- 4. Actuarial Opinion.** A statement of actuarial opinion for the reserves on policies issued pursuant to Authorized Insurance Plans and reinsured under Reinsurance Agreements shall be prepared and certified by an actuary of the Administrator who meets the qualification standards of the American Academy of Actuaries and the Casualty Actuarial Society, upon the conclusion of each fiscal year. The Administrator shall make a copy of such statement of actuarial opinion available upon request to any participating company.

ARTICLE XII**Miscellaneous Provisions**

- 1. Titles.** The titles to the various articles and sections hereof are for reference purposes only and shall not be used in the construction or interpretation of these Bylaws.
- 2. Severability.** In the event any term or provision of these Bylaws shall to any extent be held to be illegal, invalid, unenforceable, or nonoperative as a matter of law, the retraining terms and provisions hereof shall not be affected thereby, and each such term and provision shall be valid and shall remain in full force and effect.

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**EXHIBIT 23
BASIC MANUAL—2001 EDITION
ARKANSAS STATE RULE EXCEPTIONS
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)
2. Definitions**

Add the following to Rule 4–A-2:

bb. Collected Premium

~~z.~~ The gross direct premium charged and physically collected and receipted for all employers subject to this Plan.

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**EXHIBIT 24
BASIC MANUAL—2001 EDITION
ARKANSAS STATE RULE EXCEPTIONS
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)
2. Definitions**

Add the following to Rule 4-A-2:

cc. Voluntary Offer of Coverage

~~aa.~~ A legitimate, good faith offer of workers compensation insurance made by a workers compensation insurer to an employer on a “voluntary” basis outside this Plan, which said offer of such workers compensation insurance is either:

- (1) On a monoline basis and on a reasonable rating plan approved for use in Arkansas by the regulatory authority for that insurer; or
- (2) In combination or coordination with other property and/or casualty coverages and limits desired by the employer and as such insurer may also offer; provided however, that such insurer will apply its filed rating plan (including all applicable discounts or credits) to such employer in a good faith, non-discriminatory manner.

“Voluntary offer of coverage” will in no event be interpreted as including or referring to an offer, entreaty or opportunity presented for coverage under any type of self-insured workers compensation plan.

Neither the Plan Administrator(s) nor the servicing carrier(s) shall have a responsibility to determine whether the putative voluntary offer of coverage is truly “voluntary,” but any agent or broker and any insurer knowingly submitting an offer of workers compensation coverage to an employer that does not meet the above definition of a bona fide “voluntary offer” may be in violation of Ark. Code Ann. § 23-66-203 et seq. and Section 16.D of this Rule and Regulation.

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**EXHIBIT 25
BASIC MANUAL—2001 EDITION
ARKANSAS STATE RULE EXEPTIONS
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)**

5. Participation

Change Rule 4-A-5 as follows:

All insurers licensed to write and actually writing workers compensation insurance in this state are required to participate in this Plan and subscribe to the ~~Articles of Agreement~~ Association Bylaws for this state, which are attached hereto and by this reference are incorporated as a part of this Plan.

Insurers that provided coverage on a direct assignment basis prior to Rule and Regulation 54 will continue to be responsible for all obligations arising from such operations with no reinsurance available through the ~~Articles of Agreement~~ Association Bylaws.

Commencing with the effective date of Rule and Regulation 54, all direct assignment carriers shall be required to participate in the ~~Articles of Agreement~~ Association Bylaws. All former direct assignment carriers must participate in the ~~Pool Association~~, with respect to assessments and refunds, on a prorated basis that recognizes the number of months as a ~~Pool member~~ reinsuring member of the National Workers Compensation Reinsurance Association NFP (NWCRA or Association) in relationship to the twelve (12) month period.

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EXHIBIT 26
BASIC MANUAL—2001 EDITION
ARKANSAS STATE RULE EXCEPTIONS
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)
6. Plan Administrator

b. Duties and Responsibilities

Change Rule 4-A-6-b as follows:

In recognition of the interests of the participating companies who have subscribed to the ~~Articles of Agreement Association Bylaws~~, the Plan Administrator will carry out its duties and responsibilities with respect to the establishment of servicing carrier eligibility requirements and assigned carrier performance standards subject to the review and acceptance of the Board of ~~Governors~~ Directors.

The Plan Administrator will have the following duties and responsibilities in addition to any others set forth in this Plan and the ~~Articles of Agreement Association Bylaws~~, all of which are subject to the ultimate control and oversight of the regulatory authority:

- (1) Administering, managing, and enforcing the Plan subject to the provisions contained herein
- (2) Establishing eligibility criteria for servicing carriers and selecting servicing carriers by an objective selection or solicitation process or otherwise, subject to regulatory approval or review where applicable
- (3) Determining the methodology and formula for making assignments to assigned carriers pursuant to Rule 4-A-9 and securing the necessary information in order to make the assignments
- (4) Developing and implementing assigned risk operating rules and forms to the extent necessary to carry out the purposes of this Plan
- (5) Processing assigned risk applications pursuant to Rule 4-A-3
- (6) Establishing written performance requirements for assigned carriers, including, but not limited to:
 - Verification of ongoing Plan eligibility of the employer
 - Issuance of policies and endorsements
 - Filings with administrative agencies, as required
 - Maintenance of premiums on policies consistent with manual rules, rates, rating plans, and classifications
 - Completion and billing of final audits
 - Collection of premium
 - Claim services, including investigation, disability management, and medical cost control
 - Loss prevention services and safety information to encourage employers to make safety a part of their business
 - Cooperation with the regulatory authority and with the Workers Compensation Commission and Arkansas Department of Labor in carrying out and effectuating the safety mandates of Act 796 of 1993 and such Rules and Regulations as may be promulgated thereunder
 - Payment of producer fees
 - Issuance of renewal proposals and nonrenewal notices
 - Assurance of insured and insurer compliance with all terms and conditions of the policy contract
 - Resolution of complaints and response to insured/producer inquiries
 - Reporting financial and statistical data to producers and insureds, as well as the regulatory authority

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**EXHIBIT 26 (CONT'D)
BASIC MANUAL—2001 EDITION
ARKANSAS STATE RULE EXCEPTIONS
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)
6. Plan Administrator**

- Consulting with and keeping insureds apprised of developments in incurred claim cases
- (7) Monitoring servicing carrier performance (as required) and enforcing performance requirements and incentives
- (8) Administering the dispute resolution mechanism as provided in Rule 4-A-10;
- (9) Informing the regulatory authority of any insurer not participating in this Plan;
- (10) Monitoring the performance and operation of the Plan and initiating and requesting approval of amendments thereto as appropriate
- (11) Reporting to the Board of Directors on a regular basis relative to the ongoing operation of the Plan
- (12) Determining the expenses for the operation of the Plan, (including, without limitation, the Plan Administrator's fees or legal expenses associated with Plan matters), and will charge each insurer participating in the Plan for those expenses on an equitable basis as determined by the Plan Administrator and approved by the regulatory authority. The Plan Administrator will provide, upon written request of the Board of ~~Governors~~ Directors or the regulatory authority, the amount of fees and any additional charges billed by the Plan Administrator in such detail as the parties may agree.

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EXHIBIT 27
BASIC MANUAL—2001 EDITION
ARKANSAS STATE RULE EXCEPTIONS
RULE 4 WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)
7. Servicing Carriers

d. Standards for Servicing Carrier Performance, Compensation, and Incentives

Change Rule 4-A-7-d:

The Plan Administrator, subject to regulatory authority approval, if required, must establish written procedures for measuring servicing carrier performance. In recognition of the interests of the participating companies who have subscribed to the ~~Articles of Agreement Association Bylaws~~, the Plan Administrator must provide a copy of such written performance standards to the Board of ~~Governors~~ Directors for review.

Servicing carriers must manage losses in compliance with the performance standards established hereunder. The Plan Administrator, with the approval of the regulatory authority, must also establish the compensation for servicing carriers in accordance with the selection and solicitation process, which will take into consideration, among other things, provisions for:

- (1) Rewarding servicing carriers for positive action targeted at reducing losses and costs
- (2) Disincentives for inefficiencies and service below the minimum assigned carrier performance standards
- (3) Servicing carrier capacity

Furthermore, in accordance with Arkansas Code § 23-67-204(k) the performance plan must provide that up to thirty-three percent (33%) of the servicing carrier's payroll will be based upon how well or how poorly it complies with the standards for servicing carrier performance, including particularly, but not limited to, a review of collected premium as versus written premium and by review of loss ratios of its book of business and degree of improvement therein. Such compensation system will be made effective with respect to and shall apply to all servicing carrier contracts effective on or after September 1, 1993. The Plan Administrator, as approved by the regulatory authority, will on an equitable and consistent basis provide that those monies that would otherwise have gone to servicing carriers that did not perform up to an acceptable standard be distributed among those servicing carriers that met or exceeded the performance standards.

The written **Servicing Carrier Performance Standards** hereunder are those currently in effect and are those established by the Plan Administrator. All of which said provisions are expressly incorporated herein and made a part hereof; such **Performance Standards** may be amended and supplemented from time to time with the prior express written approval of the regulatory authority; provided however, that no servicing carrier will be subjected to the administrative fine or penalty provided for in Rule 4-A-7-e hereof as to any particular performance standard of which it has not had at least three (3) months' notice. All servicing carriers will be deemed to have Notice upon the Plan Administrator's receipt of approval from the regulatory authority.

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**EXHIBIT 28
BASIC MANUAL—2001 EDITION
ARKANSAS STATE RULE EXCEPTION
RULE 4. WORKERS COMPENSATION INSURANCE PLAN RULES
A. WORKERS COMPENATION INSURANCE PLAN (WCIP)
7. Servicing Carriers**

e. Monitoring and Enforcement

Change Rule 4-A-7-e as follows:

The Plan Administrator, on behalf of the regulatory authority, will monitor and review servicing carrier performance by:

- (1) Reviewing the operations reports
- (2) Requiring and reviewing self-audits
- (3) Conducting on-site audits of all servicing carriers no less often than once per triennium; however, the regulatory authority may at its own initiative direct the Plan Administrator to conduct an audit of any servicing carrier whenever circumstances merit such audit
- (4) Reviewing any other information available that relates to the servicing carrier

The Plan Administrator will require servicing carriers to maintain desired performance levels and will take appropriate remedial action where necessary including, but not limited to, the remuneration adjustment program discussed above, and the establishment and administration of a progressive discipline program that may lead to terminating an insurer's servicing carrier status. In order to fulfill its responsibilities under this Plan, the Plan Administrator will have the right, itself or through authorized representatives, at all reasonable times during regular business hours, to audit and inspect the books and records of any servicing carrier with respect to any policies, claims, or related documents coming within the purview of this Plan, the ~~Articles-Association Bylaws, or the reinsurance mechanism~~ Reinsurance Agreement(s). Each servicing carrier will, further, have the responsibility of reimbursing the regulatory authority for any reasonable expenses of travel and lodging, including meals that any of its designees may incur in carrying out their duty of monitoring and enforcement.

In addition to the adjustments to remuneration of servicing carriers as discussed above and the progressive discipline procedure, servicing carriers are subject to the imposition by the Regulatory authority, after notice and hearing, of administrative fine or penalty in the sum of not more than one thousand dollars (\$1,000) for each violation of standard. Violations of standards of performance shall be reviewed annually by the Plan Administrator and the regulatory authority and determined cumulatively under each separate performance standard.

SERFF Tracking Number: NCCI-125672445 State: Arkansas
Filing Company: NCCI State Tracking Number: EFT \$100
Company Tracking Number: RM-W-8032
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
Product Name: RM-W-8032 Establishment of the National Workers Compensation Reinsurance Association NFP (NWCRA or Assocaiton) and the
National Workers Compensation Reinsurance Association NFP Bylaws of 2009
Project Name/Number: /

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-
Property & Casualty
Review Status: Approved 06/04/2008
Comments:
Attachment:
RM-W-8032-P&C Transmittal-Arkansas.pdf

Bypassed -Name: NAIC Loss Cost Filing Document
for Workers' Compensation
Review Status: Approved 06/04/2008
Bypass Reason: NA
Comments:

Bypassed -Name: NAIC loss cost data entry document
Review Status: Approved 06/04/2008
Bypass Reason: NA
Comments:

Satisfied -Name: Filing Memorandum
Review Status: Approved 06/04/2008
Comments:
Attachment:
RM-W-8032 Filing Memo.pdf

Satisfied -Name: AR Eff Date Suspension
Review Status: 11/18/2008
Comments:
Attachment:
AR Eff Date Suspension.pdf

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
h. Subject Codes		

3. Group Name					Group NAIC #
4. Company Name(s)	Domicile	NAIC #	FEIN #	State #	

5. Company Tracking Number	
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
7. Signature of authorized filer				
8. Please print name of authorized filer				

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)				
10. Sub-Type of Insurance (Sub-TOI)				
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]				
12. Company Program Title (Marketing title)				
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)			
14. Effective Date(s) Requested	New:		Renewal:	
15. Reference Filing?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
16. Reference Organization (if applicable)				
17. Reference Organization # & Title				
18. Company's Date of Filing				
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	
21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]	

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
<div style="height: 300px; border: 1px solid black;"></div>	
Refer to each state’s checklist for additional state specific requirements or instructions on calculating fees.	

***Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

FORM FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes forms)

(Do not refer to the body of the filing for the forms listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #				
2.	This filing corresponds to rate/rule filing number (Company tracking number of rate/rule filing, if applicable)				
3.	Form Name /Description/Synopsis	Form # Include edition date	Replacement Or withdrawn?	If replacement, give form # it replaces	Previous state filing number, if required by state
01			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
02			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
03			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
04			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
05			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
06			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
07			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
08			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
09			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
10			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		

PC FFS-1

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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☐ Rate Increase
 ☐ Rate Decrease
 ☐ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	
-----------	--	--

4a.	Rate Change by Company (As Proposed)
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)

4b.	Rate Change by Company (As Accepted) For State Use Only
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5.	Overall Rate Information (Complete for Multiple Company Filings only)
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		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)		
5b	Overall percentage rate impact for this filing		
5c	Effect of Rate Filing – Written premium change for this program		
5d	Effect of Rate Filing – Number of policyholders affected		

6.	Overall percentage of last rate revision	
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7.	Effective Date of last rate revision	
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8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	
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9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

FILING MEMORANDUM

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

(To be effective 12:01 a.m. on January 1, 2009, applicable to new and renewal assigned risk policies only.)

PURPOSE

The insurance companies participating in the National Workers Compensation Reinsurance Pool (NWCRP or Pool) have voted to incorporate the administration of the servicing carrier reinsurance agreements by establishing the National Workers Compensation Reinsurance Association NFP (NWCRA or Association), a not-for-profit corporation. The NWCRA was incorporated on January 14, 2008. This item impacts NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* Rule 4—Workers Compensation Insurance Plan Rules

The NWCRP's Articles of Agreement will be replaced by the NWCRA's Bylaws for 2009 and subsequent years.

BACKGROUND

The NWCRP was established on January 1, 1970 to provide a reinsurance mechanism to equitably apportion premium and distribute losses to NWCRP member companies (participating companies) for risks placed into the workers compensation market of last resort (residual market). Premiums are allocated and losses distributed among the participating companies pursuant to reinsurance agreements entered into by policy year and state between the participating companies and servicing carriers that issue residual market policies. NCCI, pursuant to an administration agreement, performs all administrative functions associated with the reinsurance agreements, including collecting premiums from servicing carriers, distributing premiums to the participating companies, and collecting funds from the participating companies for the payment of losses for which the servicing carriers are responsible. The NWCRP is not a risk-assuming entity. Rather, the NWCRP's Board of Governors (Board) provides oversight of NCCI's administration of the reinsurance agreements on behalf of the participating companies.

The NWCRP is not an incorporated entity. Over the past few years, however, the Board has considered whether it would be advantageous to create a not-for-profit corporation for administrative oversight of the reinsurance pooling arrangement. After considerable discussion, the Board and participating companies decided to pursue and adopt an incorporation proposal. This new corporation will not be a risk-assuming entity, but will provide an efficient vehicle to administer and oversee the NWCRA reinsurance agreements. The new corporation is the National Workers Compensation Reinsurance Association NFP (NWCRA or Association).

Some of the benefits of incorporation include:

- Formalization of a corporate governance structure and adoption of favorable provisions in not-for-profit enabling legislation that provide greater clarity concerning the responsibilities, rights, and liabilities of Association members and boards of directors.
- Fiduciary duty obligations of the NWCRA Board of Directors would have greater clarity under the corporation form
- Directors and Officers (D&O) insurance coverage for the NWCRA Board of Directors would be easier to obtain than it is under the existing governance structure of the NWCRP

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FILING MEMORANDUM

ITEM RM-W-8032—ESTABLISHMENT OF THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP (NWCRA OR ASSOCIATION) AND THE NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP BYLAWS OF 2009

PROPOSAL

The proposal takes effect for the policy year beginning January 1, 2009 and will be applicable to the 2009 and subsequent policy years. The 2008 and prior policy years would be run off under the existing NWCRP governance and oversight structure. This means that for 2008 and prior policy years, the existing NWCRP Articles of Agreement, the NCCI/NWCRP Administration Agreement, and all procedures and rules that currently govern the operation and administration of the reinsurance agreements will not change. The existing NWCRP Board structure will remain in place, subject to the annual election process provided for in the current NWCRP Articles of Agreement.

For the 2009 and subsequent policy years, incorporation of the administration of the reinsurance arrangement will not, from a practical standpoint, change the regulatory or participating companies' involvement with the NWCRA or the NWCRP. It is anticipated that NCCI will continue to perform all administrative functions for 2009 and subsequent policy years pursuant to an administration agreement separately negotiated with the NWCRA Board of Directors for those years. Participating companies will continue to enter into reinsurance agreements with servicing carriers by policy year and state. Participating companies will become members of the not-for-profit corporation with similar voting rights to those under the existing NWCRP Articles of Agreement. It is currently contemplated that the NWCRA Board of Directors will be composed of the same participating companies' representatives that comprise the NWCRP Board of Governors to oversee the runoff of the 2008 and prior policy years.

IMPACT

There will be no premium impact as a result of this item.

IMPLEMENTATION

The attached exhibits illustrate NCCI's *Basic Manual* and other pertinent document changes required to implement this item:

- **Exhibits 1–17** contain Rule 4-A—Workers Compensation Insurance Plan (WCIP)
- **Exhibit 18** contains Rule 4-B—PEO Arrangements
- **Exhibit 19** contains Rule 4-C—Loss Sensitive Rating Plan (LSRP)
- **Exhibits 20–21** contain Rule 4-D—Voluntary Coverage Assistance Program (**VCAP® Service**)
- **Exhibit 22** contains the current NWCRA Bylaws
- **Exhibits 23–37** contain any applicable state special exhibits

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Terri Robinson
State Relations Executive
Regulatory Service Division

November 13, 2008

Honorable Julie Benafield Bowman
Commissioner
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201

Re: **Item RM-W-8032—Establishment of the National Workers
Compensation Reinsurance Association NFP (NWCRA) and the
National Workers Compensation Reinsurance Association
Bylaws of 2009**

Dear Commissioner Bowman:

The purpose of this letter is to suspend the effective date of the previously filed Item RM-W-8032, Establishment of the National Workers Compensation Reinsurance Association NFP (NWCRA) and the National Workers Compensation Reinsurance Association Bylaws of 2009. The suspension will last until at least January 1, 2010.

Item RM-W-8032 included the Bylaws of the National Workers Compensation Reinsurance Association NFP to provide a means for insurance carriers to satisfy their participation obligation under the Plan. The NWCRA is a newly formed corporation, which was to begin operations effective January 1, 2009 in NCCI Plan administered states. The NWCRA was to replace the current structure for carrier participation under the Plan in NCCI Plan administered states. The current structure, which is subscription to the Articles of Agreement of the National Workers Compensation Reinsurance Pool (NWCRP), was established on January 1, 1970.

In December 2007, the NWCRP participating companies voted to incorporate the corporate governance, management and policymaking structure for the reinsurance mechanism existing pursuant to the NWCRP Articles of Agreement. This new corporation was organized as the NWCRA in early 2008. As part of the incorporation process, the NWCRA applied to the IRS for designation of tax exempt status as a not-for-profit organization. In June 2008, NCCI filed the NWCRA Bylaws in NCCI Plan administered states in which the NWCRP Articles of Agreement were presently referenced in the WCIP, to be effective January 1, 2009.

The NWCRP and NWCRA Boards met on September 17, 2008. Due to the lack of a final tax status ruling from the IRS and the lack of item filing approvals for the NWCRA Bylaws in some states, the Boards voted unanimously to delay the implementation of the NWCRA until January 1, 2010 and to allow the NWCRP Articles of Agreement to remain in effect until that date. This delay allows additional time for obtaining a ruling on the pending IRS tax status request and for receiving regulatory approval of the five pending state item filings.

The NWCRP Articles provide for a reinsurance mechanism to equitably apportion premium and distribute losses to NWCRP participating companies for risks placed into the workers compensation market of last resort or residual market. Premiums are allocated and losses are distributed among the participating companies pursuant to reinsurance agreements entered into by policy year and state between the participating companies and servicing carriers that issue residual market policies. NCCI, pursuant to an administration agreement, performs all administrative functions associated with the reinsurance agreements, including collecting premiums from servicing carriers, distributing premiums to the participating companies, and collecting funds from the participating companies for the payment of losses for which the servicing carriers are responsible. The NWCRP's Board of Governors provides oversight of NCCI's administration of the reinsurance agreements on behalf of the participating companies.

There will be no premium impact as a result of this suspended effective date. From a practical standpoint, the suspended effective date of Item RM-W-8032 will not change the regulatory or Participating Companies' involvement in the residual market reinsurance mechanism. The NCCI will continue to perform all administrative functions for 2009 and the Participating Companies will continue to enter into reinsurance agreements with the Servicing Carriers by policy year and state under the current NWCRP governing documents until such time as NCCI notifies state regulators of the revised effective date of the NWCRA NFP.

Please advise if this letter is sufficient notice to suspend the effective date of Item RM-W-8032. If this letter requires submission through SERFF, please advise when Item RM-W-8032 is reopened. Otherwise, please provide acknowledgement or approval of the suspended effective date.

Sincerely,

A handwritten signature in black ink that reads "Terri Robinson". The signature is written in a cursive, flowing style.

Terri Robinson
State Relations Executive

TR:ah